

# STANROCK URANIUM MINES

L I M I T E D

A N N U A L R E P O R T

# 1965

# STANROCK URANIUM MINES LIMITED

80 Richmond Street West  
Toronto 1, Ontario, Canada

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## *Officers*

GEORGE ROWE, JR.	- - - - -	<i>President</i>
D. S. ROBERTSON	- - - - -	<i>Vice-President</i>
D. C. MARSHALL	- - - - -	<i>Treasurer</i>
HARMON DUNCOMBE	- - - - -	<i>Secretary</i>

## *Directors*

### JAMES BRUCE

Director of Technicolor, Inc., Republic Steel Corporation, Avco Corporation, U.S. Industries, Inc., Revlon, Incorporated, Loew's Theatres, Inc., and other companies, formerly United States Ambassador to the Argentine.

### JOHN R. DUNNING

Member of the Executive Committee of the Company; Dean of the Faculty of Engineering and Director of Scientific Research, Columbia University, New York, N.Y.

### ROBERT FRANKEL

President of Frankel Shops, Inc., Long Island, N.Y.

### V. V. JACOMINI

Executive Vice-President, Hudson Engineering Corporation, Houston, Texas; Director, Gulf Sulphur Corporation.

### JOHN F. A. NISCO

Member of the Executive Committee of the Company; officer, Empire International Corporation, a wholly-owned subsidiary of Empire Trust Company, New York, N.Y.

### D. S. ROBERTSON

Vice-President and member of the Executive Committee of the Company; Consulting Geologist, Toronto.

### GEORGE ROWE, JR.

President and member of the Executive Committee of the Company; member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, Foster Wheeler Corporation.

### NELSON C. STEENLAND

Geophysicist; partner, Gravity Meter Exploration Co., Houston, Texas.

### J. CARLTON WARD, JR.

Member of the Executive Committee of the Company; independent business consultant, Farmington, Connecticut; formerly President and Chairman of the Board, Vitro Corporation of America.

## *Counsel*

FULTON, WALTER & DUNCOMBE  
30 Rockefeller Plaza,  
New York 20, N.Y.

CASSELS, BROCK, KELLEY, DESBRISAY & GUTHRIE  
165 University Avenue,  
Toronto 1, Ontario

## *Auditors*

HARBINSON, GLOVER & Co.  
80 Richmond St. West,  
Toronto, Ontario





MINE PLANT AND CONCENTRATOR, ELLIOT LAKE, ONTARIO

# **STANROCK URANIUM MINES**

L I M I T E D

**ANNUAL REPORT**

**1965**





## *President's Report*

### TO THE STOCKHOLDERS:

1965 was a year in which your Company greatly strengthened its financial condition. We are now in an excellent position to carry out one of our principal current objectives — to acquire other income-producing companies in order to take advantage of the Company's large unused income tax allowances.

### **Financial condition**

At the end of 1964, our net current assets were \$365,000; at the end of 1965, they were \$926,000, an increase of 250%. At the end of 1964, we had long-term debt of \$499,000 and a liability of \$375,000 for interest on the Company's bonds. At the end of 1965, long-term debt had been reduced to \$200,000 and we had discharged the liability for interest. Shareholders' equity increased from \$499,000 at December 31, 1964, to \$1,126,000 at December 31, 1965, an increase of 225%. These amounts reflect a value of only \$300,000 for our mine and only nominal values for our plant and equipment, which were fully depreciated on our books over the 5-year life of our first sales contract with Eldorado Mining and Refining Limited.

The improvement in the Company's financial condition is due in part to our uranium operations and in part to financial steps taken during the year.

### **Uranium operations**

In 1965 value of production of uranium oxide amounted to \$813,738 and sales of surplus plant and equipment, the latter being a nonrecurring source of revenue, amounted to \$535,957. Interest income amounted to \$8,238. Net income from these sources, after costs of \$764,781, was \$593,152.

In 1965 we packaged 147,750 pounds of uranium oxide and at the end of the year we had



GEORGE ROWE, JR.

an estimated 7,434 pounds in the mill circuit. We delivered a total of 115,428 pounds to Eldorado in 1965. This left a balance of 94,179 pounds to be delivered under our present contract with Eldorado and we expect to complete these deliveries in the first half of 1966. We receive approximately \$5.50 per pound of  $U_3O_8$  under that contract.

All of our production in 1965 was by the bacterial leaching method. Bacterial leaching involves washing down the underground workings with water under pressure, collecting the run-off, pumping it to the surface and treating it there in part of the mill. This water, due to action of bacteria on the underground workings, carries commercially extractable uranium values. No conventional underground mining is carried on; that is to say, we do not do any drilling, blasting or handling of broken rock. We have not yet had enough experience with bacterial leaching to know how often or how long we can continue to wash down the same areas of the mine and continue to produce significant quantities of uranium oxide. There are parts of the mine that have not yet been washed. Other parts have been washed eleven times on a three-month cycle without decrease in yield.



We have been advised by Eldorado that we will receive a new contract to sell  $U_3O_8$  to Eldorado, under the Canadian Government stockpiling program, at \$4.90 per pound plus allowances to cover increases in certain costs, deliveries to commence upon completion of our present contract and to continue until June 1970. Under the new contract Stanrock may elect, under certain conditions, not to sell its product to Eldorado if Stanrock can obtain higher prices from other purchasers.

Costs under the Company's bacterial leaching method have steadily decreased. In the first half of 1965 direct costs of production were approximately \$4.80 per pound of  $U_3O_8$  produced; in the second half they were approximately \$3.45. Production has steadily increased: average monthly production in the first half of the year was 10,112 pounds, in the second half 14,512 pounds.

In view of the success the Company has had so far with bacterial leaching and the assurance of a market until 1970, we have been installing new equipment at the mine, comprised of rubber-lined pipes and stainless steel pumps. Installation of this new equipment was completed in February. We are confident that it will further improve production and reduce costs. It should increase the flow of water, eliminate the use of corrosion-preventing chemicals and reduce maintenance costs.

The monthly amount of  $U_3O_8$  to be delivered under the proposed new contract with Eldorado will depend in part on our production capacity and will not be fixed until after we have had a period of experience with the new pipes and pumps. We expect that this monthly amount will exceed 15,000 pounds.

### Uranium future

Responsible authorities point out that the world's demand for electric power will continue to double every ten years. Reflecting this demand is the large increase in the amount of electricity produced by nuclear fueled thermal power plants and in the number of new plants scheduled for construction. Nuclear plants are no longer in the experimental stage. They can compete successfully today with fossil fueled plants.

Recent reports by governmental and private groups indicate that in the United States alone nuclear power plants by 1980 will be accounting for one-half or more of all new electrical genera-



B. G. MacDermid, Mine Manager, and R. MacGregor, Underground Superintendent, inspecting one of the Company's new pumps.

ting capacity, and that installed nuclear capacity at that time will represent about 75,000 megawatts, or about 15% of all installed capacity.

The Canadian uranium industry has suffered in the recent past from a shortage of markets and low prices for its products. This situation appears to be changing and we are looking forward with confidence to a buildup of demand and an improvement in prices. Perhaps the most significant event in the industry in 1965 was the negotiation of the long-term  $U_3O_8$  sales contract between Denison Mines and France. The contract was blocked by the Canadian government but was replaced by a large scale government stockpile program.

These developments are of importance to your Company because they affect our current bacterial leaching program and also the value of our remaining unexploited uranium reserves. Our reserves are not touched in any significant way by the leaching program. We estimate that we have, at this time, approximately 7,000,000 pounds of uranium oxide in place in our mine at a grade of 1.7 pounds per ton, and much more at lower grades. Your management believes that these uranium reserves are a valuable Stanrock asset.



### **Settlement with Central Mortgage**

During the year your management negotiated an agreement with Central Mortgage & Housing Corporation, pursuant to which the Company's debt and other obligations to Central Mortgage, aggregating more than \$500,000, were reduced to \$200,000. Central Mortgage is a government company which in 1956 loaned Stanrock funds to build housing units in the town of Elliot Lake. As part of the settlement agreement, Stanrock deeded those properties to Central Mortgage and gave Central Mortgage a mortgage on Stanrock's other assets. The reduced debt of \$200,000 is payable to Central Mortgage over a period of five years and carries 5¼ % interest. The Company's Elliot Lake houses, like many of the houses in Elliot Lake today, were empty and deteriorating. Under our mortgage agreement with Central Mortgage we were obliged to keep these houses insured and in good condition, even though we were not using them.

### **Bond interest dispute**

In December 1965 we withdrew our appeal from the trial court's decision in Canada of the dispute between the Company and the bond trustees over the Company's liability for interest on overdue bond interest in United States funds. Upon review, your management considered that the chances of success were outweighed by the estimated costs of continuing the litigation.

The Company had on deposit with the bond trustees since 1963 more than sufficient funds to pay all the amounts owing bondholders and all the expenses of the litigation and a refund of these deposits of \$139,000 has been made to the Company.

### **Acquisition program**

As previously reported to you, we have been actively seeking for some time, with the help of banks, investment bankers and others, to acquire or combine with other Canadian companies in a way which would permit utilization of our \$19,000,000 of unused capital cost allowances for income tax purposes. At first, we sought large publicly-owned companies which we thought might combine with Stanrock. This approach encountered practical and legal difficulties. In the past year your management has concentrated its search on small companies which Stanrock might acquire, an approach which appears relatively free of such difficulties. This acquisition program is one of

our major current efforts and is of paramount importance to our stockholders.

We are seeking companies which have been well managed. We intend to retain the managers of acquired companies and to provide them with assurances of a continuing association with us and substantial autonomy in their fields. We intend to provide incentives in the form of attractive employment contracts and stock options.

We have no preconceptions about the type or size of company in which we will invest. Assured income is more important than the nature or size of the business. We will need to borrow or otherwise raise funds if an acquisition is a sizable one, but we believe such funds can be obtained on reasonable terms in any appropriate case. We likewise have no fixed formula to determine the price we will pay for an acquisition but our tax position permits us to offer more favorable terms than would be available from other purchasers not so situated. As a rule we expect to pay a substantial initial amount plus further amounts contingent upon future earnings of the business, in order that we may be assured that we will be paying for actual earnings.

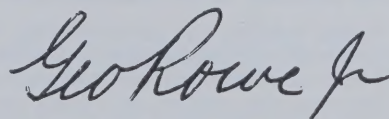
This program is an ambitious one. We are presently negotiating with several companies and, while we cannot guarantee that these particular negotiations will bear fruit, we are confident that mutually advantageous acquisitions will be accomplished in due course.

In addition to our acquisition program which is designed to take advantage of our unused tax allowances, we have been actively considering new mining prospects and expect to continue to do so.

We take this opportunity to extend our thanks to Mr. B. G. MacDermid, Mine Manager, and our employees who have done a fine job for us at the mine and to thank our stockholders for their support.

By Order of the Board of Directors.

Very truly yours,



February 23, 1966.

President.

## Balance Sheet

### ASSETS

#### CURRENT:

Cash, including time deposits .....	\$ 596,302		
Accounts receivable .....	232,703		
Inventory of uranium oxide at contract price .....	207,886		
Prepaid expenses, stores and supplies .....	147,056	\$1,183,947	

#### FIXED, AT COST:

Mining properties (acquired for 1,200,000 common shares) .....	\$ 300,000		
Land .....	24,000		
Buildings, machinery and equipment .....	\$17,009,833		
Less: Accumulated depreciation .....	16,973,774	36,059	360,059

Approved on behalf of the Board:

GEORGE ROWE, Jr., Director.

DAVID S. ROBERTSON, Director.

\$1,544,006

### AUDITORS' REPORT

To the Shareholders of  
Stanrock Uranium Mines Limited.

We have examined the balance sheet of Stanrock Uranium Mines Limited as at December 31, 1965 and the statements of earnings and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and deficit when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
February 15, 1966.

HARBINSON, GLOVER & CO.,  
Chartered Accountants.



# M MINES LIMITED

December 31, 1965

## LIABILITIES

### CURRENT:

Accounts payable and accrued liabilities .....	\$ 218,226	
Long-term debt due within one year .....	40,000	\$ 258,226

### LONG-TERM:

5¼ % Note payable (secured) due September 1, 1970 (Note 1) ....	\$ 200,000	
Less: Due within one year .....	40,000	160,000

## SHAREHOLDERS' EQUITY

### CAPITAL:

#### Authorized:

6,000,000 common shares with a par value  
of \$1.00 each (Note 2)

#### Issued, fully paid and non-assessable:

4,993,286 common shares .....	\$4,993,286	
Less: Discount on shares (net) .....	1,606,499	
	<u>\$3,386,787</u>	

DEFICIT .....	2,261,007	1,125,780
	<u></u>	<u>\$1,544,006</u>

The notes to financial statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

NOTE 1. On January 11, 1966 Central Mortgage and Housing Corporation acquired from the Company its Elliot Lake housing properties in consideration of a cash payment of \$14,533 and the replacement of a mortgage note of \$449,683 with a secured note of \$200,000 bearing interest at 5¼ %, \$40,000 maturing annually on September 1 in each year 1966 to 1970 inclusive. This transaction was effective as of September 1, 1965.

NOTE 2. Options on 105,000 shares of the Company's common stock, exercisable at 50¢ per share over a five year period ending in February, 1969, were outstanding as at December 31, 1965.

NOTE 3. As of the date of this balance sheet, the Company has \$18,645,140 in undepreciated capital cost allowances which may be claimed for tax purposes at the rates determined by law, against future taxable income of the Company.



# STANROCK URANIUM MINES LIMITED

## *Statement of Earnings*

For the Year Ended December 31, 1965

SALE OF URANIUM CONCENTRATE .....		\$ 813,738
EXPENSES:		
Mining and milling .....	\$ 596,001	
Administrative .....	168,780	764,781
		<u>          </u>
		\$ 48,957
OTHER INCOME:		
Sales of machinery and equipment .....	\$ 535,957	
Interest .....	8,238	544,195
		<u>          </u>
NET PROFIT FOR YEAR .....		<u><u>\$ 593,152</u></u>

## *Statement of Deficit*

For the Year Ended December 31, 1965

Balance, beginning of year .....		\$2,888,192
Add:		
Adjustments to prior years' earnings .....	\$ 168,870	
Investment written off .....	3,202	172,072
		<u>          </u>
		\$3,060,264
Less:		
Net profit for year .....	\$ 593,152	
Disposal of Elliot Lake housing properties (Note 1) .....	206,105	799,257
		<u>          </u>
Balance, end of year .....		<u><u>\$2,261,007</u></u>

The notes to financial statements are an integral part of this statement.







